BEFORE

THE PUBLIC SERVICE COMMISSION OF

SOUTH CAROLINA

DOCKET NO. 90-803-E - ORDER NO. 91-70

JANUARY 18, 1991

IN RE: Application of Carolina Power & Light Company for Authority to Issue and Sell Additional Securities (Long-Term Debt)	) ORDER GRANTING) AUTHORITY TO) ISSUE AND SELL) ADDITIONAL) SECURITIES) (LONG-TERM DEBT)

This matter comes before the Public Service Commission of South Carolina (Commission) upon an Application of Carolina Power & Light Company (the Company or CP&L) filed on December 31, 1990, requesting authority to issue and sell additional securities in the form of a long-term debt shelf registration.

FINDINGS OF FACT

1. The Company's correct name and post office address is Carolina Power & Light Company, Post Office Box 1551, Raleigh, North Carolina 27602. The name and post office address of its attorney is Kimberly A. Danosi, Post Office Box 1551, Raleigh, North Carolina 27602. The Company is a corporation organized and existing under the laws of the State of North Carolina, with its principal office at 411 Fayetteville Street, Raleigh, North Carolina, where it is engaged in the business of generating, transmitting, delivering and furnishing electricity to the public for compensation.

2. The Company's capital stock outstanding at September 30, 1990 consisted of Common Stock with a stated value of $1,622,277,000 and Preferred Stock having a stated value of $349,530,000. As of September 30, 1990, the retained earnings of the Company were $956,297,000.

The Company's existing long-term debt at September 30, 1990, amounted to principal amounts of $2,398,195,000 in First Mortgage Bonds and $477,854,000 in other long-term debt. The First Mortgage Bonds were issued under and pursuant to an Indenture of Trust dated as of May 1, 1940, duly executed by the Company to The Bank of New York (formerly Irving Trust Company), as Corporate Trustee, and Frederick G. Herbst, as Individual Trustee, succeeded by W. T. Cunningham, who presently is acting as Individual Trustee, as supplemented by forty-nine Supplemental Indentures.

3. The Company presently projects that its capital requirements will total approximately $364 million in 1991. In addition, early redemption opportunities for existing higher coupon long-term debt and preferred stock could develop if interest rates decline.

4. Pursuant to the provisions of its Charter and for the purposes hereinafter stated, the Company proposes to issue and sell additional long-term debt in an amount not to exceed an additional amount of $300 million. The Company also has available to it pursuant to its last shelf registration filed with the SEC in February, 1990, the amount of $25 million; which amount, together with the new registration, will enable the Company to issue up to

an aggregate amount of $325 million in long-term debt. The net proceeds to be received from the proposed issuance of not to exceed $325 million (total aggregate) in additional long-term debt will be used for (i) the Company's ongoing construction and maintenance program, (ii) general corporate requirements including but not limited to the repayment of short-term borrowings, and (iii) the refunding of outstanding issues of First Mortgage Bonds and/or preferred stock having rates higher than market rates determined at the time of any sale of additional long-term debt securities.

5. The Company will consider the issuance of First Mortgage Bonds, debt instruments sold to European investors ("Eurobonds") or unsecured debt. The Company continuously monitors rates, terms and conditions for alternative forms of debt financing and will determine which type of security offers the most favorable terms to the Company. In general, the Company will only consider issuing additional long-term debt for refunding purposes when the new issue can be priced at least .5% below the break-even rate of the issue to be refunded and if the refunding yields net present value savings of $500,000 or more. (Break-even rate includes consideration of call premium and issuance expenses.)

6. The Company proposes to issue additional long-term debt either in discrete financing transactions or pursuant to a continuous offering program ("Secured Medium-Term Note Program"). Under a Secured Medium-Term Note Program, First Mortgage Bonds which will be referred to as Secured Medium-Term Notes for marketing purposes would be continuously offered and issued in an

amount deemed appropriate and necessary by the Company but in no event exceeding the amount authorized pursuant to this Application.

7. The Company proposes to enter into negotiations with investment bankers or other financial institutions to act as agents, dealers, underwriters, or direct purchasers of either the public or private offering of each issuance of First Mortgage Bonds or other long-term debt in accordance with the terms of an underwriting or purchase agreement in the case of a discrete financing transaction or a sales agency or distribution agreement in the case of the Secured Medium-Term Note Program in a form similar to that attached to the Company's Application as Exhibit A or Exhibit B, respectively. The Company intends to informally determine the method of sale and the financial institution(s) which will offer the most favorable terms to the Company.

8. The Company estimates that it will incur expenses in the range of approximately $200,000 in connection with a private placement of debt securities to approximately $250,000 for a public offering of First Mortgage Bonds, together with underwriters' or agents' fees.

9. This financing is necessary to provide funding to enable the Company to meet its capital needs on a timely basis, and enable the Company to realize potential savings through the refunding of higher coupon bonds.

10. The Company's First Mortgage Bonds will be sold under the provisions of the First Mortgage and Deed of Trust dated May 1, 1940. The Company has a right to sell additional First Mortgage

Bonds of any one or more Series on the basis of property additions, other than funded property as defined in Section 5 of Article 1 of the said Mortgage and Deed of Trust for a principal amount not exceeding seventy (70) percentum of the cost or fair value thereof to the Company whichever is less.

11. For any First Mortgage Bonds sold, the Company proposes to create, execute and deliver additional Supplemental Indentures to the Mortgage and Deed of Trust dated as of May 1, 1940, to The Bank of New York (formerly Irving Trust Company) and Frederick G. Herbst (W. T. Cunningham, successor), as Trustees, such additional Supplemental Indentures to be substantially in the form attached to the Company's Application as Exhibit C in the case of a discrete financing transaction or Secured Medium-Term Note Program.

12. Attached to the Company's Application as Exhibit D, and made a part thereof, are a Balance Sheet of the Company as of September 30, 1990, and an Income Statement of the Company for the twelve months ended September 30, 1990, with pro forma statements.

13. The Company has filed a Registration Statement with the Securities and Exchange Commission in connection with any future public issuance of additional long-term debt as described herein.

14. The Commission is concerned about the apparent trend toward increased debt financing of CP&L. CP&L's capital structure should not contain a level of debt that would result in a decline in CP&L's bond rating and an increase in CP&L's cost of debt. The Commission suggests that the timing and type of the debt issues mitigate any negative impact on the bond rating and cost of debt of

CP&L . Approval of this issuance does not bind the Commission as to any ratemaking treatment.

CONCLUSIONS

From a review and study of the Application, its supporting data and other information in the Commission's files, the Commission finds that the transactions herein proposed:

(i) Are for a lawful object within the corporate purposes of the Company;

(ii) Are compatible with the public interest;

(iii) Are necessary and appropriate for and consistent with the proper performance by the Company of its service to the public as a utility;

(iv) Will not impair the Company's ability to perform its public service; and

(v) Are reasonably necessary and appropriate to provide adequate funds for such corporate purposes.

IT IS THEREFORE ORDERED:

1. That Carolina Power & Light Company be, and hereby is authorized, empowered and permitted, to issue and sell securities in the form of long-term debt not to exceed an additional $300 million pursuant to the terms and conditions described herein, at such times as the Company may deem necessary or advisable, and to execute and deliver such instruments, documents and agreements as shall be necessary or appropriate to effectuate such transaction or

transactions.

2. That the Company is directed to file with the Commission conformed copies of the instruments relating to the transactions in the final form in which they are executed.

3. That this Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:

Chairman

ATTEST:

Deputy Executive Director

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